

OUR WAR COST RAISED AT HOME 53

duction of goods for export. Otherwise the problem of paying for goods purchased from abroad could only be solved by the export of securities, and by borrowing from foreign countries, so that the shells and other war material that were required, for example, from America, might be paid for by American investors in consideration of receiving from us a promise to pay them back some day, and to pay them interest in the meantime. In other words, we could only pay for what we needed from abroad by shipping goods or securities. As is well known, we have financed the war by these methods to an enormous extent; the actual extent to which we have done so is not known, but it is believed that we have roughly balanced by this process the sums that we have lent to our Allies and Dominions, which now amount to well over 1300 millions.

If this is so, we have, in fact, financed the whole of the real cost of the war to ourselves at home, and we have done so by taxation, by borrowing saved money, and by inflation—that is to say, by the manufacture of new currency, with the inevitable result of depreciating the buying power of our existing currency as a whole. How much better could the thing have been done? In other words, how much of the war's cost in so far as it was raised at home could have been raised by taxation? In

theory the
answer is very simple, for in theory the
whole cost
of the war, in so far as it is raised at home,
could have
been raised by taxation if it could have
been raised
at all. It is not possible to raise more by
any other

E